

CHAPTER 73

AN ACT concerning certain false claims and amending P.L.2007, c.265.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Section 2 of P.L.2007, c.265 (C.2A:32C-2) is amended to read as follows:

C.2A:32C-2 Definitions relative to false claims.

2. As used in this act:

"Attorney General" means the Attorney General of the State of New Jersey, or the Attorney General's designee.

"Claim" means any request or demand, under a contract or otherwise, for money or property, whether or not the State has title to the money or property, or for services, that is made to any employee, officer, or agent of the State, or is made to any contractor, grantee, or other recipient if the money, property, or service is to be spent or used on the State's behalf or to advance a State program or interest, if the State provides or has provided any portion of the money, property, or services requested or demanded or if the State will reimburse the contractor, grantee, or other recipient for any portion of the money, property, or services requested or demanded. The term does not include claims, records, or statements made in connection with State tax laws or requests or demands for money or property that the State has paid to an individual as compensation for governmental employment or as an income subsidy with no restrictions on that individual's use of the money or property.

"Knowing" or "knowingly" means, with respect to information, that a person:

- (1) has actual knowledge of the information; or
- (2) acts in deliberate ignorance of the truth or falsity of the information; or
- (3) acts in reckless disregard of the truth or falsity of the information.

No proof of specific intent to defraud is required. Acts occurring by innocent mistake or as a result of mere negligence shall be a defense to an action under this act.

"Material" means having a natural tendency to influence, or be capable of influencing, the payment or receipt of money or property.

"Obligation" means an established duty, whether or not fixed, arising from an express or implied contractual, grantor-grantee, or licensor-licensee relationship, from a fee-based or similar relationship, from statute or regulation, or from the retention of any overpayment.

"State" means any of the principal departments in the Executive Branch of State government, and any division, board, bureau, office, commission or other instrumentality within or created by such department; and any independent State authority, commission, instrumentality or agency.

2. Section 3 of P.L.2007, c.265 (C.2A:32C-3) is amended to read as follows:

C.2A:32C-3 Civil liability for false, fraudulent claim.

3. A person shall be jointly and severally liable to the State for a civil penalty of not less than and not more than the civil penalty allowed under the federal False Claims Act (31 U.S.C.s.3729 et seq.), as may be adjusted in accordance with the inflation adjustment procedures prescribed in the Federal Civil Penalties Inflation Adjustment Act of 1990, Pub.L.101-410, for each false or fraudulent claim, plus three times the amount of damages which the State sustains, if the person commits any of the following acts:

- a. Knowingly presents or causes to be presented, a false or fraudulent claim for payment or approval;

- b. Knowingly makes, uses, or causes to be made or used a false record or statement material to a false or fraudulent claim;
- c. Conspires to commit any violation of subsection a., b., d., e., f., or g. of this section;
- d. Has possession, custody, or control of public property or money used or to be used by the State and knowingly delivers or causes to be delivered less property or money than the amount for which the person receives a certificate or receipt;
- e. Is authorized to make or deliver a document certifying receipt of property used or to be used by the State and, intending to defraud the entity, makes or delivers a receipt without completely knowing that the information on the receipt is true;
- f. Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property; or
- g. Knowingly makes, uses, or causes to be made or used a false record or statement material to an obligation to pay or transmit money or property to the State, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the State.

3. Section 5 of P.L.2007, c.265 (C.2A:32C-5) is amended to read as follows:

C.2A:32C-5 Investigation of violation; civil actions.

5. a. The Attorney General shall investigate a violation of this act. If the Attorney General finds that a person has violated or is violating this act, the Attorney General may bring a civil action in State or federal court against the person. The Superior Court shall have jurisdiction over a State action brought pursuant to this act.

b. A person may bring a civil action for a violation of this act for the person and for the State. Civil actions instituted under this act shall be brought in the name of the State of New Jersey.

c. A complaint filed by a person under this act shall remain under seal for at least 60 days and shall not be served on the defendant until the court so orders. Once filed, the action may be dismissed by the person bringing the action if the Attorney General gives written consent to the dismissal along with the reason for consenting, and the court approves the dismissal.

d. A complaint alleging a false claim filed under this act shall be so designated when filed, in accordance with the Rules Governing the Courts of the State of New Jersey. Upon filing of the complaint, the plaintiff shall serve by registered mail, return receipt requested, the Attorney General with a copy of the complaint and written disclosure of substantially all material evidence and information the person possesses. The Attorney General may elect to intervene and proceed with the action on behalf of the State within 60 days after it receives both the complaint and the material evidence and information, and in doing so may file its own complaint, amend the plaintiff's complaint, or supplement the claims in which it is intervening with additional detail or by adding any additional claims with respect to which the Attorney General contends it is entitled to relief. For statute of limitations purposes, any such pleading by the Attorney General pursuant to this subsection shall relate back to the filing date of the complaint of the person who originally brought the action, to the extent that the claim of the Attorney General arises out of the conduct, transactions or occurrences set forth, or attempted to be set forth, in the prior complaint of that person.

e. (Deleted by amendment, P.L.2009, c.265)

f. The Attorney General may, for good cause shown, request that the court extend the time during which the complaint remains under seal. Any such motion may be supported by affidavits or other submissions in camera.

g. Before the expiration of the 60-day period or any extensions obtained under subsection f., the Attorney General shall:

(1) file a pleading with the court that he intends to proceed with the action, in which case the action is conducted by the Attorney General and the seal may be lifted; or

(2) file a pleading with the court that he declines to proceed with the action, in which case the seal may be lifted and the person bringing the action shall have the right to conduct the action.

h. The defendant's answer to any complaint filed under this act shall be filed in accordance with the Rules Governing the Courts of the State of New Jersey after the complaint is unsealed and served upon the defendant.

i. When a person files an action under this act, no other person except the State may intervene or bring a related action based on the facts underlying the pending action.

4. Section 6 of P.L.2007, c.265 (C.2A:32C-6) is amended to read as follows:

C.2A:32C-6 Primary responsibility for prosecuting action; remedies, supplementary.

6. a. If the Attorney General proceeds with the action, the Attorney General shall have primary responsibility for prosecuting the action, and shall not be bound by any act of the person bringing the action. The person bringing the action has the right to continue as a party to the action, subject to limitations specified in this act. The person bringing the action shall be authorized to continue to disclose information related to the action to the Attorney General.

b. The Attorney General may move to dismiss the action for good cause shown, notwithstanding the objections of the person bringing the action, provided that the person bringing the action has been notified by the Attorney General and the court has provided the person bringing the action with the opportunity for a hearing.

c. Nothing in this act shall be construed to limit the authority of the Attorney General to settle the action, if the court determines after a hearing that the proposed settlement is fair, adequate, and reasonable under all the circumstances. Upon a showing of good cause, the hearing may be held in camera.

d. Upon a showing by the Attorney General that unrestricted participation during the course of the litigation by the person initiating the action would interfere with or unduly delay the Attorney General's prosecution of the case, or would be repetitious, irrelevant, or for purposes of harassment, the court may, in its discretion, impose limitations on the person's participation, including, but not limited to:

(1) Limiting the number of witnesses the person may call;

(2) Limiting the length of the testimony of the person's witnesses;

(3) Limiting the person's cross-examination of witnesses; or

(4) Otherwise limiting the participation by the person in the litigation.

e. Upon a showing by the defendant that unrestricted participation during the course of the litigation by the person initiating the action would be for purposes of harassment or would cause the defendant undue burden or unnecessary expense, the court may limit the participation by the person in the litigation.

f. If the Attorney General decides not to proceed with the action, the seal may be lifted and the person who initiated the action shall have the right to conduct the action. The decision of the Attorney General on whether to proceed with an action shall be deemed final and shall not be subject to review by any court or agency. If the Attorney General so requests, the Attorney General shall be served at the expense of the Attorney General with copies of all pleadings and motions filed in the action and copies of all deposition transcripts. When a person proceeds with the action, the court, without limiting the rights of the person initiating

the action, may permit the Attorney General to intervene and take over the action on behalf of the State at a later date upon a showing of good cause.

g. Whether or not the Attorney General proceeds with the action, upon a showing by the Attorney General that certain actions of discovery by the person initiating the action would interfere with an investigation by the State or the prosecution of a criminal or civil matter arising out of the same facts, the court may stay such discovery for a period of not more than 60 days. Such a showing shall be conducted in camera. The court may extend the 60-day period upon a further showing in camera by the Attorney General that the criminal or civil investigation or proceeding has been pursued with reasonable diligence and any proposed discovery in the civil action will interfere with an ongoing criminal or civil investigation or proceeding.

h. The application of one civil remedy under this act shall not preclude the application of any other remedy, civil, administrative or criminal, under this act or any other provision of law. Such other remedies under this act may be supplemental and not mutually exclusive to the remedies under this act, or may be alternate remedies. The Attorney General may elect to pursue its claim through an alternate remedy, including any administrative proceeding to determine a civil monetary penalty. If any such alternate remedy is pursued in another proceeding, the plaintiff shall have the same rights in that proceeding as the plaintiff would have had if the action had continued under this act. Any finding of fact or conclusion of law made in any such proceeding that has become final shall be conclusive on all parties to an action initiated under section 5 of this act. As used in this subsection, the term "final" means that the finding of fact or conclusion of law has been finally determined on appeal to the appropriate court, all time for filing such an appeal with respect to the finding or conclusion has expired, or the finding or conclusion is not subject to judicial review.

5. Section 7 of P.L.2007, c.265 (C.2A:32C-7) is amended to read as follows:

C.2A:32C-7 Distribution of proceeds.

7. a. If the Attorney General proceeds with and prevails in an action brought by a person under this act, except as provided in subsection b., the court shall order the distribution to the person of at least 15% but not more than 25% of the proceeds recovered under any judgment obtained by the Attorney General under this act or of the proceeds of any settlement of the claim, depending upon the extent to which the person substantially contributed to the prosecution of the action.

b. If the Attorney General proceeds with an action which the court finds to be based primarily on disclosures of specific information, other than that provided by the person bringing the action, relating to allegations or transactions in a criminal, civil, or administrative hearing; a legislative, administrative, or inspector general report, hearing, audit, or investigation; or from the news media, the court may award such sums as it considers appropriate, taking into account the significance of the information and the role of the person bringing the action in advancing the case to litigation.

c. The Attorney General shall receive from the State's share of the proceeds recovered under any judgment under this act or settlement of the claim in an action brought by a person under this act a fixed 10% of the proceeds calculated based on the entire amount of the proceeds including the amount ordered distributed under subsection a. of this section, which shall be deposited in the "False Claims Prosecution Fund" established in section 13 of this act and shall only be used to support its ongoing investigation and prosecution of false claims pursuant to the provisions of this act.

d. If the Attorney General does not proceed with an action under this section, the person bringing the action or settling the claim shall receive an amount which the court decides is reasonable for collecting the civil penalty and damages. The amount shall be not less than 25% and not more than 30% of the proceeds of the action or settlement of a claim under this act.

e. Following any distributions under subsection a., b., c. or d. of this section the State entity injured by the submission of a false claim shall be awarded an amount not to exceed its compensatory damages. Any remaining proceeds, including civil penalties awarded under this act, shall be deposited in the General Fund.

f. Any payment under this section to the person bringing the action shall be paid only out of the proceeds recovered from the defendant.

g. Whether or not the Attorney General proceeds with the action, if the court finds that the action was brought by a person who knowingly planned and initiated the violation of this act upon which the action was brought, the court may, to the extent the court considers appropriate, reduce the share of the proceeds of the action which the person would otherwise receive under this section, taking into account the role of the person in advancing the case to litigation and any relevant circumstances pertaining to the violation. If the person bringing the action is convicted of criminal conduct arising from his role in the violation of this act the person shall be dismissed from the civil action and shall not receive any share of the proceeds of the action. Such dismissal shall not prejudice the right of the Attorney General to continue the action.

6. Section 9 of P.L.2007, c.265 (C.2A:32C-9) is amended to read as follows:

C.2A:32C-9 Immunity from civil liability; limitations on bringing an action.

9. a. No member of the Legislature, member of the Judiciary, or senior Executive branch official may be civilly liable if the basis for an action is premised on evidence or information known to the State when the action was brought.

b. A person may not bring an action under this act based upon allegations or transactions that are the subject of a civil suit or administrative civil monetary penalty proceeding to which the State is already a party.

c. The court shall dismiss an action or claim under this act, unless opposed by the Attorney General, if substantially the same allegations or transactions as alleged in the action or claim were publicly disclosed in a criminal, civil, or administrative hearing in which the State or an agent of the State is a party, in an investigation, report, hearing or audit conducted by the Legislature or by the news media, unless the action is brought by the Attorney General, or unless the person bringing the action is an original source of the information. For purposes of this subsection, the term "original source" means an individual who either (1) prior to a public disclosure as described in this paragraph has voluntarily disclosed to the State the information on which allegations or transactions in a claim are based, or (2) has knowledge that is independent of and materially adds to the publicly disclosed allegations or transactions, and who has voluntarily provided the information to the State before filing an action under this act.

d. (Deleted by amendment, P.L.2023, c.73)

7. Section 10 of P.L.2007, c.265 (C.2A:32C-10) is amended to read as follows:

C.2A:32C-10 Disclosure of information by employee, employee protections.

10. a. No employer shall make, adopt, or enforce any rule, regulation, or policy preventing an employee, contractor, or agent from disclosing information to a State or law enforcement

agency or from acting to further a false claims action, including investigating, initiating, testifying, or assisting in an action filed or to be filed under this act.

b. Any employee, contractor, or agent shall be entitled to all relief necessary to make that employee, contractor, or agent whole, if that employee, contractor, or agent is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of employment because of lawful acts done by the employee, contractor, agent, or associated others in furtherance of an action under this act, or in other efforts to stop one or more violations of this act.

c. Relief under subsection b. of this section shall include reinstatement with the same seniority status such employee, contractor, or agent would have had but for the discrimination, two times the amount of back pay, interest on the back pay, compensation for any special damages sustained as a result of the discrimination, and, where appropriate, punitive damages. In addition, the defendant shall be required to pay litigation costs and reasonable attorney's fees associated with an action brought under this section. An action may be brought in the Superior Court for the relief provided in this subsection.

d. (Deleted by amendment, P.L.2023, c.73)

e. A civil action under this subsection may not be brought more than three years after the date when the retaliation occurred.

8. Section 13 of P.L.2007, c.265 (C.2A:32C-13) is amended to read as follows:

C.2A:32C-13 "False Claims Prosecution Fund."

13. a. There is established in the General Fund the "False Claims Prosecution Fund" as a nonlapsing revolving fund in the Department of the Treasury. Monies deposited in the fund shall be utilized by the Attorney General for the exclusive purpose of investigating and prosecuting false claims. The State Treasurer shall deposit 10% of the proceeds recovered by the Attorney General pursuant to subsection c. of section 7 of P.L.2007, c.265 (C.2A:32C-7) in the False Claims Prosecution Fund.

b. The State Treasurer shall deposit 25% of the State share of monies recovered from actions related to false or fraudulent Medicaid claims brought pursuant to this act in the "Medicaid Fraud Control Fund" established by section 10 of P.L.2007, c.58 (C.30:4D-62).

c. Except as provided in subsections a. and b. of this section, the State share of moneys recovered by the Attorney General in accordance with the provisions of this act, other than the awarded amount provided to the State entity injured by the submission of a false claim, shall be deposited in the General Fund.

9. Section 14 of P.L.2007, c.265 (C.2A:32C-14) is amended to read as follows:

C.2A:32C-14 Issuance of subpoenas, warrant for arrest; other power of Attorney General.

14. a. If the Attorney General has reason to believe that a person within or outside of this State has engaged in, or is engaging in, an act or practice which violates this act, or any other relevant statute or regulation, the Attorney General or the Attorney General's designee may administer oaths and affirmations, and request or compel the attendance of witnesses or the production of documents. The Attorney General may make a civil investigative demand requiring a party to answer, in writing, written interrogatories with respect to such documentary material or information. The Attorney General may issue, or designate another to issue, subpoenas to compel the attendance of witnesses and the production of books, records, accounts, papers and documents. Witnesses shall be put on oath or affirmation and their

testimony shall be taken stenographically and shall be transcribed. Witnesses shall be entitled to receive the same fees and mileage as persons summoned to testify in the courts of the State.

If a person subpoenaed pursuant to this section shall neglect or refuse to obey the command of the subpoena, a judge of the Superior Court may, on proof by affidavit of service of the subpoena, of payment or tender of the fees required and of refusal or neglect by the person to obey the command of the subpoena, issue a warrant for the arrest of said person to bring that person before the judge, who is authorized to proceed against the person as for a contempt of court.

b. If the matter that the Attorney General seeks to obtain by request is located outside the State, the person so required may provide the matter or otherwise make it available to the Attorney General or the Attorney General's representative to examine the matter at the place where it is located. The Attorney General shall have the authority to issue subpoenas to compel witnesses located outside the State to attend investigative interviews pursuant to this act, and such witnesses may make themselves available to the Attorney General or the Attorney General's representative to be interviewed at the place where the witness is located. The Attorney General may designate representatives, including officials of the state in which the matter is located, to inspect the matter on behalf of the Attorney General, and the Attorney General may respond to similar requests from officials of other states.

c. If a licensed professional or an owner, administrator or employee of a licensed professional, including but not limited to an owner, administrator or employee of any hospital, an insurance company, an insurance producer, solicitor or adjuster, or any other person licensed or certified by a licensing authority of this State, or an agent, representative or employee of any of them is found to have violated any provision of this section, the Attorney General shall notify the appropriate licensing authority of the violation so that the licensing authority may take appropriate administrative action.

d. State investigators shall not be subject to subpoena in civil actions by any court of this State to testify concerning any matter of which they have knowledge pursuant to a pending false claims investigation by the State, or a pending claim for civil penalties initiated by the State.

C.2A:32C-12.1 Final judgement rendered, fraud, false statements, denial, essential elements, offense.

10. Notwithstanding any other provision of law, the State or federal Rules of Criminal Procedure, or the State or federal Rules of Evidence, a final judgment rendered in favor of the State or of the United States in any criminal proceeding charging fraud or false statements, whether upon a verdict after trial or upon a plea of guilty or nolo contendere, shall estop the defendant from denying the essential elements of the offense in any action which involves the same transaction as in the criminal proceeding and which is brought under subsection a. or b. of section 5 of P.L.2007, c.265 (C.2A:32C-5).

11. This act shall take effect immediately.

Approved June 30, 2023.